

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/26):**

BUTTER: Grade AA closed at \$1.2675. The weekly average for Grade AA is \$1.2642 (-.0616).

CHEESE: Barrels closed at \$1.1450 and blocks at \$1.2025. The weekly average for barrels is \$1.1520 (-.0530) and blocks, \$1.1890 (-.0465).

NONFAT DRY MILK: Extra Grade closed at \$0.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$0.9900 (N.C.) and Grade A, \$1.0000 (N.C.).

BUTTER: The butter market remains weak, but the mid-week "up tick" in price does send some signals to the market. Buyers who have been waiting to purchase are now expressing more interest, particularly for fresh butter, as they stock retail shelves before Thanksgiving. Churning activity is increasing in much of the country as excess cream volumes remain heavy. Demand for cream for use in other items (cream cheese, sour cream, etc.) is increasing and helping ease the volumes of cream clearing through churns. Stocks of butter are more than ample to meet current needs. Food service orders are steady to improved.

CHEESE: The cheese market is unsettled to weak. Prices have started to rebound from recent declines. Movement is improving as buyers try to make purchases for the Thanksgiving needs. However, some orders may get shorted due to the time constraints before Thanksgiving. Best interest is generally for products usually just made to order. Process sales are mostly steady to fast food accounts and unchanged to occasionally lighter for retail. Cheese production is being affected by steady to seasonal declines in milk receipts and increasing cheese yields.

FLUID MILK: Milk production patterns have changed little over the past several weeks across most of the United States. Production levels in California continue to trend higher due to more cows and increased output per cow. Milk is mixed across the Northwest and Mountain states and being affected in certain locales by poor quality hay and wet weather patterns. In the Northeast and Middle Atlantic states, milk is slowly increasing along seasonal patterns. Larger gains are noted in the Southeastern tier of states. Midwestern production is steady to slightly lower at levels below a year ago. Fat and protein levels of incoming milk are increasing seasonally. The fluid cream market trend remains weak and prices are lower. The weekly average butter price continues to trend lower and demand for cream is picking up slightly for seasonal products. Production of holiday items is increasing and expected to grow to place products in stores for customers.

DRY PRODUCTS: Nonfat dry milk prices are holding mostly steady across all regions. The trade is concerned about the potential for changes in the support price for NDM. There is heightening speculation that DEIP bid acceptances could begin in the next couple of weeks. Dry buttermilk markets are seeing very little changes. Spot sales are limited and any additional loads that are coming available because of increased production are being used to fill past orders. Whey prices are slightly weaker in the Central region, unchanged elsewhere. Demand is fair to good domestically from food accounts, but slower from export interest and animal feed accounts. WPC prices are also trending lower and the market continues to be affected by weaker demand from feed accounts. Lactose prices are fully steady to firm and producers have limited offerings for spot sales.

CCC: During the week of October 22 – 26, adjusted purchases totaled 89,066 pounds of Western NDM under the price support program.

SEPTEMBER COLD STORAGE (NASS): September U.S. cold storage holdings of butter total 104.1 million pounds, 8.1% lower than a month ago, but 22.4% higher than last September. Natural American cheese holdings total 501.4 million pounds, 1.0% lower than a month ago and 13.1% less than a year ago. Nonfat dry milk holdings at the end of August total 947 million pounds, 3 million pounds less than last month but 341 million pounds more than last August.

USDA RECOMMENDS REVISED CLASS III AND IV PRICE FORMULAS FOR ALL FEDERAL MILK ORDERS: On October 23, the USDA issued a recommended decision to amend the current Class III and Class IV pricing formulas under Federal milk orders. The recommendation follows a tentative final decision and interim amendment responding to a Congressional mandate to reconsider the pricing formulas adopted in the final rule for the consolidation and reform of Federal milk orders. This decision would leave in place the revised manufacturing allowances for butter, cheese, and nonfat dry milk, but reverse the previous determination that there should be separate butterfat prices for milk used in Class III (cheese) and Class IV (butter and dry milk products). Additional technical modifications are made to the protein price formula. The make allowance for dry whey, one of the factors in calculating Class III value, would be increased from the \$0.140 left in place under the injunction to \$0.159 per pound. The proposed changes are expected to have little impact on returns to dairy farmers. The recommended decision will be published in the Oct. 25 Federal Register, and interested persons have until Nov. 26 to file comments in response to the recommended decision and the amendments that have been in place under the injunction.

DAIRY SITUATION AND OUTLOOK (ERS): Wholesale butter and cheese prices have collapsed since mid-September in response to weakening demand, recovering milk output, and swollen pipeline holdings. Dairy markets probably will be quite unsettled during the rest of the year. Demand conditions may not settle down in 2002, as consumer responses to changing economic conditions are highly uncertain. Restaurant buyers reportedly responded dramatically to the shocks of September by cutting purchases to a minimum. This was enough to send prices sharply lower, and the bottom may not yet have been reached. However, restaurant use may not have been hurt that dramatically (except for a few segments), and resumption of buying may trigger modest price recovery before the end of the year, at least for cheese. Cheese demand in 2002 probably will be only modestly affected by adjustments in the restaurant sector. Cheese is used heavily by all segments of the industry so shifts among eating places do not necessarily have much effect. Gradual erosion in total restaurant use is likely. Weakness in retail sales also is likely to develop only slowly. Consumer belt tightening probably will consist of eliminating some at-home "treats" that they had enjoyed but also replacing some away-from-home treats with less costly at-home treats. Demand for butter and fluid cream may be affected more than cheese demand. Table use of these products is spread across a diverse group of restaurants. But kitchen use is much heavier in upper tier establishments; the types that may be affected most. In addition, retail sales may be trimmed by a more cautious consumer attitude.

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CHICAGO MERCANTILE EXCHANGE**CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY OCTOBER 22	TUESDAY OCTOBER 23	WEDNESDAY OCTOBER 24	THURSDAY OCTOBER 25	FRIDAY OCTOBER 26	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1700 (N.C.)	\$1.1650 (-.0050)	\$1.1350 (-.0300)	\$1.1450 (+.0100)	\$1.1450 (N.C.)	-.0250	\$1.1520 (-.0530)
40# BLOCKS	\$1.1950 (-.0025)	\$1.1950 (N.C.)	\$1.1600 (-.0350)	\$1.1925 (+.0325)	\$1.2025 (+.0100)	+.0050	\$1.1890 (-.0465)
BUTTER GRADE AA	\$1.2500 (N.C.)	----	\$1.2750 (+.0250)	----	\$1.2675 (-.0075)	+.0175	\$1.2642 (-.0616)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 22, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS 40# BLOCKS: 1 @ \$1.1950, 1 @ \$1.1975, 2 @ \$1.2000
 BUTTER — SALES: 3 CARS: 2 @ \$1.2300, 1 @ \$1.2500; BIDS UNFILLED: 1 CAR @ \$1.2000; OFFERS UNCOVERED: NONE

TUESDAY, OCTOBER 23, 2001

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1900, 1 @ \$1.1950; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1650, 1 @ \$1.1700; 3 CARS 40# BLOCKS: 1 @ \$1.2000, 2 @ \$1.2050

WEDNESDAY, OCTOBER 24, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.1350; 3 CARS 40# BLOCKS: 1 @ \$1.1825, 1 @ \$1.1675, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.1350, 1 @ \$1.1500, 1 @ \$1.1650; 7 CARS 40# BLOCKS: 1 @ \$1.1625, 1 @ \$1.1650, 1 @ \$1.1775, 1 @ \$1.1850; 1 @ \$1.1875, 2 @ \$1.1950

BUTTER — SALES: 6 CARS: 2 @ \$1.2500, 3 @ \$1.2550, 1 @ \$1.2750; BIDS UNFILLED: 9 CARS: 1 @ \$1.2600, 1 @ \$1.2575, 1 @ \$1.2550, 1 @ \$1.2500, 1 @ \$1.2400, 1 @ \$1.2300, 1 @ \$1.2200, 1 @ \$1.2100, 1 @ \$1.2000; OFFERS UNCOVERED: 2 CARS: 1 @ \$1.3300, 1 @ \$1.3500

THURSDAY, OCTOBER 25, 2001

CHEESE — SALES: 5 CARS 40# BLOCKS: 4 @ \$1.1700, 1 @ \$1.2000; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.1450, 1 @ \$1.1000; 1 CAR 40# BLOCKS @ \$1.1800; OFFERS UNCOVERED: 5 CARS 40# BLOCKS: 1 @ \$1.1925, 1 @ \$1.1950, 1 @ \$1.1975, 2 @ \$1.2000

FRIDAY, OCTOBER 26, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.2025; OFFERS UNCOVERED: NONE

BUTTER — SALES: 42 CARS: 1 @ \$1.2800, 1 @ \$1.2900, 15 @ \$1.3000, 2 @ \$1.3025, 1 @ \$1.3100, 1 @ \$1.3075, 1 @ \$1.3050, 5 @ \$1.3000, 1 @ \$1.2975, 1 @ \$1.2950, 1 @ \$1.2975, 2 @ \$1.3000, 1 @ \$1.2950, 1 @ \$1.2925, 1 @ \$1.2900, 1 @ \$1.2875, 1 @ \$1.2850, 1 @ \$1.2825, 2 @ \$1.2800, 1 @ \$1.2750, 1 @ \$1.2675; BIDS UNFILLED: 6 CARS: 2 @ \$1.2650, 2 @ \$1.2500, 2 @ \$1.2400; OFFERS UNCOVERED: 4 CARS: 1 @ \$1.2750, 1 @ \$1.2775, 1 @ \$1.2975, 1 @ \$1.3000

BUTTER MARKETS

SEPTEMBER MONTHLY COLD STORAGE

According to NASS, September month-ending cold storage figures for butter total 104.1 million pounds, 8.9% more than last year, but 22.4% lighter than August holdings.

NORTHEAST

The market tone remains weak. The price of butter at the CME continues to fall. After falling twenty cents last week, it ended the week at \$1.25 and held there on October 22. The trade will watch with great interest to see if this is “the level” at which the price will plateau. Offers continue to exceed demand. Buyers are still in a wait and see posture, but fall needs do have to be ordered soon, if they have not already been placed. Churning activity is heavier, but some plants are selling their cream and filling packaged butter orders from their bulk inventories. Other plants are making unsalted butter to fill that particular segment of the market. Retail sales are still just fair as prices remain high. Food service orders are about steady. Imports of butter subject to licensing during the first nine months of 2001, total 6,023,534 Kg, up 7,909 KG from the same period last year. Imports of high-tier (above quota) totaled 11,266,933 KG, up from 57,405 Kg during the same period last year. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

The butter market remains weak. Following Monday's (10/22) trading, the CME price held at \$1.25 for two trading sessions. It then jumped 2.5 cents during

Wednesday's trading. This follows a week that saw a twenty-cent drop in the price of AA butter. Churning activity remains heavy as Midwest butter makers continue to take in local and out-of-region cream. Bulk and packaged butter stocks are more than ample for current needs. September's month ending cold storage figures show a drop from month earlier levels, but they are still above year ago levels. Demand for butter is improving as buyers place orders to have product “in store” early in November. It seems that buyers either think the price at the CME won't move any lower or, they have waited as long as they can to place Holiday orders. Retail features and/or slightly lower prices are more common. Food service orders are about steady. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing basis.

WEST

Butter prices continue to slide, declining another 20 cents last week at the CME. However, the price did increase 2.5 cents on October 24. This is the first increase since August 29, when the close was \$2.2250. Demand remains soft and unaggressive. Cream offerings remain heavy at bargain prices. Most of it eventually goes into the churns. Store prices are adjusting only very slowly to the near dollar drop on the cash market. Demand for bulk butter is light. Prints are moving, but orders are only fair at best. The food service industry is not clearing anticipated volumes of print butter. Business is slow. Reports indicate that nearly 40 million pounds of butter, through September, have been imported into the US. Couple that with stocks in September on the Cold Storage report 22% higher than last year and sellers see a problem. Weekly CME butter stocks declined by 970,000 pounds and stand at 41.5 million pounds. This is the smallest weekly decline since July. Current prices for bulk butter range from 6 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
OCT. 20	1.5498	1.4529	0.9398	1.3941	0.2822	2.0956	1.9767
	7,507,323	8,790,606	17,841,299	3,834,877	10,512,957	930,159	3,385,108

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply lower on process and natural items, unchanged on Swiss. The market tone remains weak. At the CME, the price of 40# blocks has, through October 22, declined for seventeen consecutive trading sessions and barrels have dropped thirteen of the last fourteen trading sessions. The market tone remains weak, but some contacts wonder if we are near "the bottom." At current levels, the CME prices are within 6-7 cents of the USDA support purchase prices. Cheese output is steady to heavier as more milk is now available to Northeastern manufacturing plants. Cheese supplies are closely balanced on current styles, long on aged. Demand is just fair as buyers wait to see where prices will level out before placing additional orders. Demand for gift-pack items is improving. The call for process and mozzarella is holding up quite well. However, orders from other segments of the food service market are not as fortunate. Reports of a marked slow down in business for many "fine dining" establishments has been noted. Retail sales are steady at fair levels.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2825-1.7525
Cheddar Single Daisies	:	1.2400-1.7000
Cheddar 40# Block	:	1.3750-1.5600
Process 5# Loaf	:	1.4150-1.5750
Process 5# Sliced	:	1.4350-1.6925
Muenster	:	1.4425-1.6500
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market continues weak. Over the past few weeks, a few traders have mentioned prices could fall to price support levels if demand does not rebound. Retail interest continues to improve though overall still seems to continue to lack the usual strength expected before the yearend holiday season. For Thanksgiving, orders need to be leaving the cutter/processor within the next week or so to make it into the stores' cheese case. Food service continues to be segmented with airline and better restaurants the slowest areas. Fast food sales remain about steady at fairly good, or at least seasonal, levels. Plant operators continue to try to minimize October cheese production schedules to keep from building inventory in a falling market and due to legitimate concerns that milk prices will not decline fast enough to keep red ink from forming when compared to returns from cheese and dairy product sales. Cheese yields continue to improve seasonally, reflecting higher fat and protein levels in incoming milk supplies.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4250-2.0500
Brick And/Or Muenster 5#	:	1.8275-2.0400
Cheddar 40# Block	:	1.6475-2.1150
Monterey Jack 10#	:	1.8600-2.2300
Blue 5#	:	2.0175-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7075-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.3175-2.6900

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES : OCTOBER 22 - 26, 2001

BARRELS*	:	\$1.1350 - 1.2150 (NOMINAL)
	:	(-\$.0850) (-.1275)
40# BLOCKS	:	\$1.1600 - 1.2350 (NOMINAL)
	:	(-\$.0825) (-.1350)

() Change from previous week. * If steel, barrel returned.

WEST

Prices at the CME are fast approaching the CCC support price levels. They are within 3 cents at this point. Contacts are beginning to see additional buying interest. The downside risk at this point is minimal many of them feel. Indications are that many buyers are operating with very reduced inventories and that any delivery delays cause problems very rapidly. A number of plants are reporting that milk is on the short side and outside supplies are not all that easy to find. More competition is noted for downgraded cheese supplies. American cheese stocks stand at 501.4 million pounds at the end of September. This level is down about 76 million pounds (13%) from last year at this time. Swiss stocks total 11.0 million pounds, down 30% from September of last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3575-1.6175
Cheddar 40# Block	:	1.3550-1.5175
Cheddar 10# Cuts	:	1.5350-1.7550
Monterey Jack 10#	:	1.5450-1.7050
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.5800

FOREIGN

Prices continue to decline on domestic styles. The market tone is mixed, mostly weak. Importers do note that the events of September 11 have disrupted, to a degree, their ability to import and/or get product through customs in a timely manner. Retail sales of foreign type cheese are slow to fair and food service orders have slowed. Orders for imported cheeses used in further processing are down now that the CME prices for cheddar are below \$1.20. The grand total of imports of cheese, subject to licensing, during the first nine months of 2001 is 83,361,304 KG, down 530,133 Kg from the same period last year. High-tier cheese imports during the same period are 10,519,881 Kg, up from 5,941,809 Kg a year ago. Most of this years increase came in the American-type category which jumped more than 4 million Kg.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

NEW YORK		
VARIETY	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.5850-3.0800*
Gorgonzola	: 3.2400-5.9400	: 2.0850-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0000-3.0550*
Romano (Italy)	: 2.1000-2.9900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.5925-1.8125*
Romano (Cows Milk)	: -0-	: 2.7725-4.9525*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.5900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9500	: -0-
Gouda, Large	: 2.3900-2.6800	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

		BUTTER	CHEESE
10/22/01	27,407	:	122,626
10/01/01	29,328	:	125,498
CHANGE	-1,921	:	-2,872
% CHANGE	-7	:	-2

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	74	0	67	0	44	0
SOUTHEAST STATES	49	0	127	0	54	0

The base price for Class I milk for November 2001 is \$15.76 per cwt., down \$0.17 from October. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for November is \$7.96, down four cents from October. Milk production is increasing slowly in most of the region. Some of the larger gains are being seen in East Texas and parts of Georgia. Summer-like weather prevailed over much of the Southeast early this week, but winter-like weather is predicted for the later half of the week. Colder weather is also expected in the Northeast. Milk production in the Northeast and Middle Atlantic areas is slowly increasing along seasonal patterns. Bottled milk sales are holding fairly steady in most parts of the region. A few scattered reports indicate that some bottlers are starting to put up some egg nog. This seems early, but Thanksgiving is only four weeks away. Surplus milk supplies are heavier in the Northeast as less milk is moving into the Southeast this week. Florida's needs did increase slightly, but imports were quite a bit lower in other Southeastern states. Manufacturing plant schedules are still very light in the Southeast, but increasing at some Northeastern plants. The condensed skim market is little changed, but the November Class II skim milk price did move four cents lower. This may or may not have an effect on Class II condensed skim prices. Class III wet solids orders are often slower as users can purchase NDM at lower, per pound solids prices. The fluid cream market is little changed. Spot prices are lower as the price of butter at the CME dropped another twenty cents last week. However, the price was unchanged on Monday (10/22) and if it holds through this week, contacts feel that orders for butter and cream will improve. Offerings of cream are more than ample for current Class II demand and more cream is clearing to Class III & IV plants. Ice cream production is seasonally light, but may pick up slightly now that cream prices as low as they have been in quite some time. Some ice cream plants that have been down this week are expected to be back up next week, which may help cream sales. Cream cheese makers appear to be taking more cream this week. Not only is it the prime production period to fill year-end needs, the price-per-pound-fat is as low as it's been since early in the year. Bottled cream production eased slightly after increasing last week. Churning activity is about steady and excess cream volumes are still readily available.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5247-1.8031
DELIVERED EQUIVALENT ATLANTA	-	1.5247-1.7768 M 1.5910-1.6573
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5910-1.8163

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0700-1.1100
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.1800

M I D W E S T

Class I demand was steady to often lighter later in the week, in part, due to some schools closing for teacher conferences. Manufacturing milk interest is uneven, slower from many but improved for others. Spot offerings have also increased during the past couple of weeks. Other manufacturing plant operators are finding that class prices may not fall as far as returns for manufactured products (cheese) have for profitability this month. Spot premiums on manufacturing grade milk range from

\$1.20 to \$1.50 over class, though indications are that at least one larger buyer may be purchasing some distressed loads at a discount. Cream demand is steady to lighter. Some additional cream is moving into the increased production of holiday items including such items as dips, sour cream as well as eggnog production. Cream prices are lower, reflecting declines in the weekly cash butter average at the Chicago Mercantile Exchange as well as some declines in multiples. Ice cream production remains at light seasonal levels. Condensed skim prices range from \$1.0450 - 1.1200 with a few Class II prices below Class III. Class III condensed skim sales are steady to slower. Current milk receipts are steady to slightly lower on a week to week basis, though generally below year ago levels in most upper tier states except Indiana. Fat and protein tests on incoming milk supplies are unchanged to inching higher seasonally. Somatic cell tests have declined from elevated summer levels. The fall harvest continues though wet fields are delaying progress, at least in Wisconsin and Michigan. Colder temperatures along with snow and high winds are also blanketing parts of the region after midweek.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 18 - 24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 42.00	\$ 34.00- 40.00
REPLACEMENT HEIFER CALVES	\$400.00-625.00	\$340.00-390.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 18 - 24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 39.00- 44.50	\$ 32.50- 44.25

W E S T

California milk production levels are most often higher than a year ago in the range of 2 to 5%. Last year, the milk cows were trying to rebound from heat related problems. Cow numbers are higher than last year as well as milk output per cow. Feed costs are generally favorable with the exception of alfalfa. There are concerns about the upcoming declines in milk prices following the collapse of the cheese and butter prices in recent weeks. In the state, fluid milk orders were lower this week. New Mexico milk production is increasing along recent patterns. There continues to be growth in cow numbers in the state and more dairies are coming on line, along with expansions. Feed prices are as expected. Heifer and cow prices are slightly lower, reflecting the uncertainty around the drop in butter and cheese prices and expected lower milk prices. Cream prices remain weak, with multiples ranging from a weak 100 to 127. Some instate California loads continue to be priced under class prices to keep product moving. There is more interest in cream from seasonal accounts as they prepare holiday items for upcoming needs. Butter churning is active in the region and in other locations. Cream based holiday items are beginning to be made in more earnest. In the Northwest, milk production is steady to lower seasonally, although fat and solid's levels of incoming milk are rated as good. Reports are mixed as to what levels output is at compared to last year. Processing plants are running on reduced schedules. Poor hay is causing problems. In the Mountain States, rainfall was moderate. There was snow at elevation, which is welcome to help alleviate the lack of moisture experienced this growing season. It is too early to see any impact on the milk herd, but any problems are expected to be minimal. There are more concerns about poor quality hay contributing to lower milk receipts. Despite the recent harvest of a decent corn silage crop, the milking herds have not responded as expected. Cheese plants in the region would like to have more milk and are looking to other sources for extra. Cheese prices are at a point where producers can build inventories without much downward risk as in prior weeks. The downside is that milk prices are lagging the drop in cheese prices.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 10/25/01 and represent FOB Central and Western production areas. Prices represent CL/TL quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are unchanged to lower and nominal on a steady to weak market. Increased production of NDM is encouraging some plants to offer product at lower prices. Production increases are mainly due to a decrease in fluid movement into cheese and bottling facilities. Demand is light with most movement occurring on regular contracts. Stocks are mixed with some locations short of supplies while others are running long. High heat interest is good on steady production schedules. Mostly prices for Report 43 in 2000 were 1.0150 - 1.0250.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9600 - 1.0100 MOSTLY: .9600 - 1.0100

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a mostly steady market. Some offerings are being noted below the range in light of increased buttermilk production over the last few weeks. Movement is generally light as buyers await lower prices. Supplies are mixed with some plants holding loads to clear while others are running short of buyer interest. Cream is in better balance than the week prior with steady churning activity. Some plants are projecting higher dry buttermilk stocks by mid-November due to expected increases in cream supplies as ice cream interest wanes. Price for Report 43 in 2000 were .9825 - 1.0300.

BUTTERMILK: 1.0500 - 1.1150

DRY WHEY - CENTRAL

Prices are unchanged to lower on a steady to weak market. While most producers are tight on supply, some are holding heavy stocks and discounting. Delayed pick-ups by feed buyers are encouraging heavy stocks. Movement is light into export markets and inquiries are nominal. Production is mostly steady. Demand is light with most movement occurring on a contractual basis. Condensed whey is more available into some WPC/lactose facilities. Traders remain reluctant to partake in the market without a guaranteed buyer. Mostly prices for Report 43 in 2000 were .1800 - .1850.

NONHYGROSCOPIC: .2850 - .2900 MOSTLY: .2850 - .2900

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower on a generally steady market. More offerings of milk replacer supplies are noted than the week prior. However, prices are generally unchanged for the good interest. Roller ground prices adjusted lower in response to weakness in the Extra Grade whey market. Delactose supplies remain short of demand, especially as some stocks are diverted into process cheese for the holiday season. Changes in the WPC market are currently not affecting the delactose market, yet decreases in price are anticipated in response to continual government offerings of CCC NDM stocks. Prices for milk replacer, roller ground and delactose for Report 43 in 2000 were respectively .1450 - .1650, .1650 - .1850 and .3750 - .4000. September 2001 calf slaughter totaled 78,600 head, down 16% from September 2000. Hog kill totaled 7.81 million head, 4% below September 2000.

MILK REPLACER: .2300 - .2675
ROLLER GROUND: .2750 - .2900
DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady to firm market. Most plants are tight to short on supplies and are thereby reporting nominal spot trading. Asian buyers are seeking additional loads on existing contracts due to an inability to gain sufficient supplies in the fourth quarter. Interest from candy companies continues to be expressed. Feed buyers are seeking off grade supplies as an attractive substitute to the current whey market. Off grade supplies are short of buyer interest. Less than trucklot loads are trading at prices above the range. Production is generally steady. Mostly prices for Report 43 in 2000 were .1600 - .1700.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .2000 - .2675 MOSTLY: .2050 - .2300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mixed, mostly lower on a weak market. Trading continues light. While offering prices are trending lower, many buyers are resisting prices in light of prices traded via the government NDM sellback. Producers are resisting prices at the sell back level (\$0.6215 - \$0.6810) as WPC stocks are deemed superior to aged NDM. Some producers are opting not to trade with the feed industry in 2002 and have already found alternative homes for their supplies. However, some locations anticipate continual trade with the feed sector and are expecting to begin negotiations within the next few weeks. Currently, some feed users are attempting to resell their excess stocks of WPC at a discount. Demand into the food sector is mostly steady with some brand specific plants unable to satisfy buyer interest. Off grade demand is good for the limited supplies. Mostly prices for Report 43 in 2000 were .7275 - .7375.

EXTRA GRADE 34% PROTEIN: .7325 - .7800 MOSTLY: .7325 - .7775

NONFAT DRY MILK - WEST

Prices are unchanged for the low/medium heat NDM range and mostly series. Production is mixed in the region, reflecting local milk intakes and, to a more limited extent, the shifting of milk between commodities. Usage of condensed skim in cheese and fluid milk are lower this week. Producer offerings are fair to moderate and NDM is clearing to the CCC from plants within the region. There are more signals that the DEIP will be opened up soon and that excess NDM and future production could be moved through DEIP channels instead of to the support program. The decline in world SMP into the lower 80 cents range is making the DEIP feasible. The trade is debating the merits and probability of a "tilt." The expectations are that the tilt would again lower the support price for NDM while increasing the price for butter. During the week of October 15 - 19, Western producers offered 1,764,799 pounds of NDM to the CCC. No price changes are being reported for high heat powder. Contacts are seeing some additional interest from seasonal accounts. Some producers had hoped for better demand than what they are seeing. Stocks are generally limited with product being made to order.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9000 - 1.0225 MOSTLY: .9300 - .9600

HIGH HEAT: .9700 - 1.0400

DRY BUTTERMILK - WEST

Prices are mostly steady for the Western buttermilk series. Production is steady at higher levels, reflecting additional churning activity in the region. Seasonal usage of condensed buttermilk is noted to be slowing. Demand for dry buttermilk is up slightly with some seasonal accounts coming in stronger, although often under contract. Buyers would like to see prices decline and be more in line with historic margins to NDM, but current conditions do not support this. Producer stocks are generally light to moderate.

BUTTERMILK: 1.0300 - 1.0750 MOSTLY: 1.0400 - 1.0500

DRY WHEY - WEST

Prices continue to hold steady for Western whey powder. Offering levels are mixed. Some plants have powder available while others are sold out. Domestic sales activity is rated as fair to good. Export sales are steady at best, often slower. Some export shipments are being delayed by stricter transportation standards. The powder is sold, but not moving very well. Production of powder ranges from steady to lower. A number of Western cheese plants are not getting the milk that they expected.

NONHYGROSCOPIC: .2600 - .2950 MOSTLY: .2675 - .2800

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
October 19	\$.9290	12,256,907
October 12	\$.9374	10,189,100

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities for domestic and export sales in 25 kg. or 50 lb. bags, and totes, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and remain nominal in the Northeast. The market tone is steady. Drying schedules continue to move slowly higher as surplus milk volumes increase along seasonal patterns. Most of the current Eastern output is occurring in the Northeast. Southeastern plants have very little milk to process. Most Eastern producers report having little or no NDM "on the floor" and any available powder clears easily. Demand is fair to good as NDM prices are generally lower on a per pound solids basis than condensed skim. However, some buyers are not going too far out with purchases as they feel that another support price "tilt" is on the horizon.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: .9675 - 1.0050 MOSTLY: .9700 - .9775

HIGH HEAT: 1.0000 - 1.0250 MOSTLY: 1.0050 - 1.0200

DELVD SOUTHEAST:

ALL HEATS: .9900 - 1.0500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are nominal and unchanged. The market tone is also unchanged. Production levels are up slightly as more excess cream is being churned. However, quite a bit of Eastern cream continues to clear to Midwestern butter plants. Demand for both dry and condensed buttermilk is fair. Producers' stocks are light and most have very little on hand.

F.O.B. NORTHEAST: 1.0400 - 1.0600

DELVD SOUTHEAST: 1.0650 - 1.0950

DRY WHOLE MILK - NATIONAL

Prices are steady to lower within the range. With the CME butter price falling twenty cents last week, some producers moved their asking prices lower. Production levels are limited to meeting contract shipping schedules. Demand is steady and mostly contractual.

F.O.B. PRODUCING PLANT: 1.3700 - 1.5325

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH OCTOBER 12, 2001
WITH CHANGES FROM PREVIOUS REPORT

CHEESE -- 3,030 MT (6,679,938 LBS)

This program-year allocation is filled.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk - 68,201 MT; Cheese - 3,030 MT; Butterfat - 21,097 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to fractionally lower and nominal in the Northeast. The market tone is little changed. Eastern producers have little product to offer to spot customers. Most are oversold and there have been instances where some contract buyers have been "shorted" due to the lack of milk and cheese output. Cheese producers are a little reluctant to make more cheese now that milk prices are high and cheese prices are low and falling. Occasionally, a spot load of Extra Grade whey is available and it does clear easily at current market prices. Reports indicate that Grade A whey stocks are tight and any spot needs are usually filled in the resale market. Traders report continued slow market activity, particularly from the feed side of the market. Buyers, seeing slightly lower whey prices in other regions, are delaying purchases as long as they can in the hopes of seeing additional price declines.

F.O.B. NORTHEAST: EXTRA GRADE .2925 - .3000

USPH GRADE A .2900 - .3100

DELVD SOUTHEAST: .3175 - .3225

EVAPORATED MILK - NATIONAL

Prices are unchanged. The market tone is steady and continues to be highly competitive. It is the time of year when retail features are more common. For the most part, retailers have their Thanksgiving needs "in house," but some last minute orders are being filled. Production levels are about steady. Although more milk is available in many parts of the country, it is still relatively high priced. It is not a good financial scenario for product prices to be relatively low while milk prices are high. Most producers are delivering orders from inventory.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Market conditions and prices are steady with recent weeks for both acid and rennet casein. Most transactions are tending to be filled under contracts with few spot loads noted recently. Producers of imitation cheese are watching the declining U.S. natural cheese market. There are concerns that processors will use more natural cheeses in products and blends and replace imitations. Acid casein markets are fully steady. The market is fairly balanced. Production seasons are winding down in Europe but beginning in Oceania. The decline in world SMP is being assessed to see if production allotments between SMP and casein will be adjusted.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.4000 - 2.7300

ACID: 2.4500 - 2.6500

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

Month	10/10	10/11	10/12	10/15	10/16	10/17	10/18	10/19	10/22	10/23
CME - (CLASS III) MILK FUTURES -- Dollars per cwt.										
OCT 01	13.65 (2823) 69	13.87 (2847) 89	14.09 (2808) 69	14.25 (2822) 62	14.35 (2824) 76	14.35 (2824) 147	14.26 (2835) 30	14.45 (2826) 77	14.40 (2824) 7	14.40 (2818) 26
NOV 01	11.55 (2271) 74	11.70 (2264) 55	11.65 (2247) 54	10.95 (2272) 221	11.12 (2251) 62	11.20 (2293) 79	10.90 (2340) 60	10.75 (2358) 16	10.90 (2352) 15	10.95 (2422) 129
DEC 01	11.50 (1873) 54	11.59 (1871) 158	11.60 (1876) 41	11.00 (1904) 167	11.39 (1899) 47	11.45 (1933) 152	10.90 (1964) 45	10.90 (1962) 8	11.05 (1964) 19	11.15 (2008) 92
JAN 02	11.50 (786) 12	11.55 (838) 69	11.55 (866) 61	11.40 (890) 45	11.50 (898) 23	11.60 (922) 21	11.40 (947) 136	11.43 (920) 21	11.48 (940) 39	11.55 (939) 115
FEB 02	11.45 (641) 18	11.50 (666) 41	11.54 (711) 58	11.45 (730) 46	11.50 (737) 19	11.55 (756) 23	11.55 (801) 105	11.63 (791) 11	11.65 (814) 36	11.70 (808) 103
MAR 02	11.60 (588) 48	11.60 (609) 28	11.65 (631) 27	11.45 (656) 41	11.55 (660) 14	11.60 (666) 26	11.54 (691) 108	11.64 (694) 11	11.67 (691) 21	11.72 (695) 69
APR 02	11.66 (455) 3	11.69 (472) 33	11.75 (484) 20	11.68 (499) 29	11.71 (506) 18	11.70 (514) 9	11.75 (563) 98	11.83 (573) 12	11.83 (590) 17	11.85 (614) 95
MAY 02	11.80 (393) 3	11.80 (404) 33	11.85 (415) 14	11.80 (424) 18	11.87 (432) 12	11.95 (435) 17	12.00 (455) 25	12.05 (457) 5	12.05 (457) 20	12.05 (470) 29
JUN 02	11.95 (348) 3	11.95 (354) 16	11.95 (362) 13	11.95 (368) 13	12.05 (378) 26	12.11 (384) 7	12.15 (398) 18	12.20 (403) 16	12.25 (423) 35	12.25 (446) 49
JUL 02	12.50 (151) 3	12.50 (163) 17	12.55 (169) 7	12.55 (187) 25	12.60 (194) 12	12.70 (188) 14	12.70 (198) 30	12.75 (204) 9	12.80 (221) 37	12.84 (249) 74
AUG 02	12.52 (134) 3	12.52 (139) 11	12.60 (147) 11	12.59 (148) 2	12.60 (154) 13	12.65 (155) 3	12.65 (157) 12	12.69 (169) 21	12.75 (185) 41	12.75 (214) 62
SEP 02	12.66 (113) 1	12.66 (118) 13	12.70 (123) 10	12.70 (122) 3	12.71 (123) 7	12.72 (127) 8	12.72 (144) 19	12.75 (148) 13	12.77 (173) 41	12.77 (197) 62
OCT 02	12.43 (96) 3	12.43 (96) 5	12.43 (105) 14	12.50 (111) 7	12.50 (114) 17	12.55 (113) 3	12.55 (125) 12	12.60 (130) 15	12.61 (159) 44	12.70 (188) 58
CME - CLASS IV MILK FUTURES - Dollars per cwt.										
OCT 01	13.25 (366) 0	13.25 (366) 0	13.25 (366) 0	13.25 (366) 0	13.25 (366) 0	13.25 (366) 0	13.25 (364) 2	12.90 (364) 0	12.90 (364) 0	12.90 (364) 0
NOV 01	13.48 (269) 9	12.90 (276) 7	12.90 (276) 0	12.90 (276) 0	12.90 (276) 1	12.90 (276) 0	12.90 (288) 15	12.35 (288) 0	12.20 (290) 5	12.10 (290) 0
DEC 01	13.10 (150) 5	12.85 (160) 11	12.80 (160) 0	12.80 (156) 4	12.80 (156) 0	12.80 (156) 0	12.80 (162) 7	12.20 (167) 5	12.00 (167) 6	12.00 (172) 14
JAN 02	12.50 (51) 0	12.52 (58) 11	12.55 (58) 0	12.55 (64) 6	12.60 (74) 10	12.45 (74) 0	12.45 (74) 1	12.45 (74) 0	12.45 (82) 12	12.43 (82) 0
FEB 02	12.60 (77) 10	12.50 (80) 3	12.50 (80) 0	12.50 (86) 6	12.50 (96) 10	12.40 (96) 0	12.40 (96) 1	12.40 (96) 0	12.40 (96) 4	12.40 (96) 0
CME - BUTTER FUTURES -- Cents per pound										
OCT 01	146.00 (27) 3	147.50 (25) 1	147.50 (24) 1	140.00 (24) 0	140.00 (22) 2	135.00 (22) 0	135.00 (15) 0	135.00 (15) 0	135.00 (14) 0	
DEC 01	152.00 (9) 0	152.00 (9) 2	147.00 (9) 0	143.00 (9) 0	143.00 (9) 0	140.00 (9) 2	136.00 (9) 0	135.00 (13) 4	130.00 (14) 1	130.00 (19) 6
MAR 02	139.50 (20) 0	139.50 (20) 0	139.50 (20) 0	139.50 (23) 3	137.50 (23) 2	137.02 (23) 0	142.02 (30) 8	137.02 (30) 0	137.02 (30) 0	137.02 (30) 0
MAY 02	150.00 (12) 0	150.00 (12) 0	150.00 (14) 2	146.00 (14) 0	146.00 (14) 0	146.00 (16) 3	146.00 (16) 0	142.00 (16) 0	142.00 (16) 0	143.00 (16) 0
CME - NONFAT DRY MILK FUTURES -- Cents per pound										
OCT 01	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0	93.85 (8) 0
NOV 01	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0	93.00 (7) 0
DEC 01	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.50 (6) 0	93.00 (6) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 15 - 26, 2001

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: The European dairy markets are weak, with prices following the trend found in other areas of the world such as the U.S. International buyers have held back on orders in anticipation that prices could weaken further. Traders feel that butter prices will soon decline far enough to allow butter to be placed into intervention in several EU countries. Higher internal EU prices have also affected consumer sales in some countries. Increased cheese production and demand helped to take some of the pressure off other dairy products though cheese production in other countries has slowed to keep inventories from accumulating. The skim and whole milk markets are being pressured and unlike butter, do not have a floor to keep prices from falling further except if milk gets switched to other products. Intervention on skim milk powder does not open until March, with product made during February eligible at that time. However, from now to March is the problem for extra supplies of dry skim milk. Milk receipts are trending lower seasonally. Favorable weather conditions in much of Europe have provided support to current milk production levels. Overall, milk production and current dairy product output continues to trend lower seasonally.

BUTTER/BUTTEROIL: The butter market is weak. Prices have declined sharply in the past few weeks. Experts are expecting EU butter price levels could fall below intervention in the near future in several EU countries. Moving surplus volumes into intervention would help provide a floor for butter prices.

82% BUTTERFAT:	1,300 - 1,450
99% BUTTERFAT:	1,400 - 1,600

SKIM MILK POWDER (SMP): The skim milk powder market is weak and prices are being pressured lower. International demand remains light. Sources feel prices may decline further because no price floor mechanism is available like intervention for butter. Intervention for skim milk powder does not open until March unlike butter. However, skim milk powder produced in February would be eligible to enter intervention when it opens in March.

1.25% BUTTERFAT:	1,800 - 1,900
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WHOLE MILK POWDER (WMP): The whole milk powder market is weak. Overall, prices are being pressured, much like skim milk powder. International interest is light. Current production is light as producers look for alternative uses for milk to keep from building inventories.

26% BUTTERFAT:	1,750 - 1,850
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SWEET WHEY POWDER: The whey market is steady. Sales have not been significantly affected by declines in skim milk powder prices as a substitute in animal feed. Some reductions in cheese production have occurred where inventories have started to accumulate.

NONHYGROSCOPIC:	550 - 650
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OVERVIEW: EASTERN EUROPE: Eastern European production is lower and near the annual low levels. With product cleared through much of the season, limited, if any, large blocks of product remain in inventory for export.

OCEANIA

OVERVIEW: World dairy markets are weak and current spot buying activity is fairly light as buyers hold back on purchases in the hope of possible lower prices. Competition from alternative supply sources, along with price declines in other parts of the world such as the U.S., are adding to a lower, early season price expectations. Australia and New Zealand are currently in their traditional peak production period of late October - November. Weather conditions are currently good for peak milk production in New Zealand. Milk supplies are being balanced by shipments between various plants with processing capacity. Plant inventories are accumulating as production schedules have increased. In Australia, preliminary early season milk production forecasts call for a 2 - 3% increase in overall milk receipts for the year. Warm weather occurred at the start of the season though conditions have recently turned more favorable for milk production.

BUTTER: Butter prices are steady to occasionally lower. Increased competition from other international suppliers has helped inventories to grow during the peak production season. Some Russian interest is occurring. Spot demand from other international buyers remains seasonally light.

82% BUTTERFAT:	1,300 - 1,400
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CHEDDAR CHEESE: The cheese market is relatively steady, despite the usual currency fluctuations. Cheese is not currently under the pressure found with the other dairy commodity prices. Some better movement is occurring for cheese, at least from some traditional customers.

39% MAXIMUM MOISTURE:	2,200 - 2,300
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SKIM MILK POWDER (SMP): The skim milk powder market is weak. International demand is generally light. Most buyers have been delaying orders in the hopes of additional price weakness. Production is seasonally heavy and inventories are accumulating.

1.25% BUTTERFAT:	1,900 - 2,000
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WHOLE MILK POWDER (WMP): The whole milk powder market is also under pressure. Skim and whole milk prices are often selling at similar prices. Current drying schedules are seasonally heavy as milk is hauled between plants to handle the peak season milk receipts.

26% BUTTERFAT:	1,900 - 2,000
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Exchange rates for selected foreign currencies: OCTOBER 22, 2001

.4047 Dutch Guilder	.4560 German Mark
.1360 French Franc	.4181 New Zealand Dollar
.1083 Mexican Peso	.5104 Australian Dollar
1.4245 British Pound	.0082 Japanese Yen
.2422 Polish Zloty	.8919 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1083) = 9.2336$. That is 1 US Dollar equals 9.2336 Mexican Pesos.

Source: *Wall Street Journal*

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

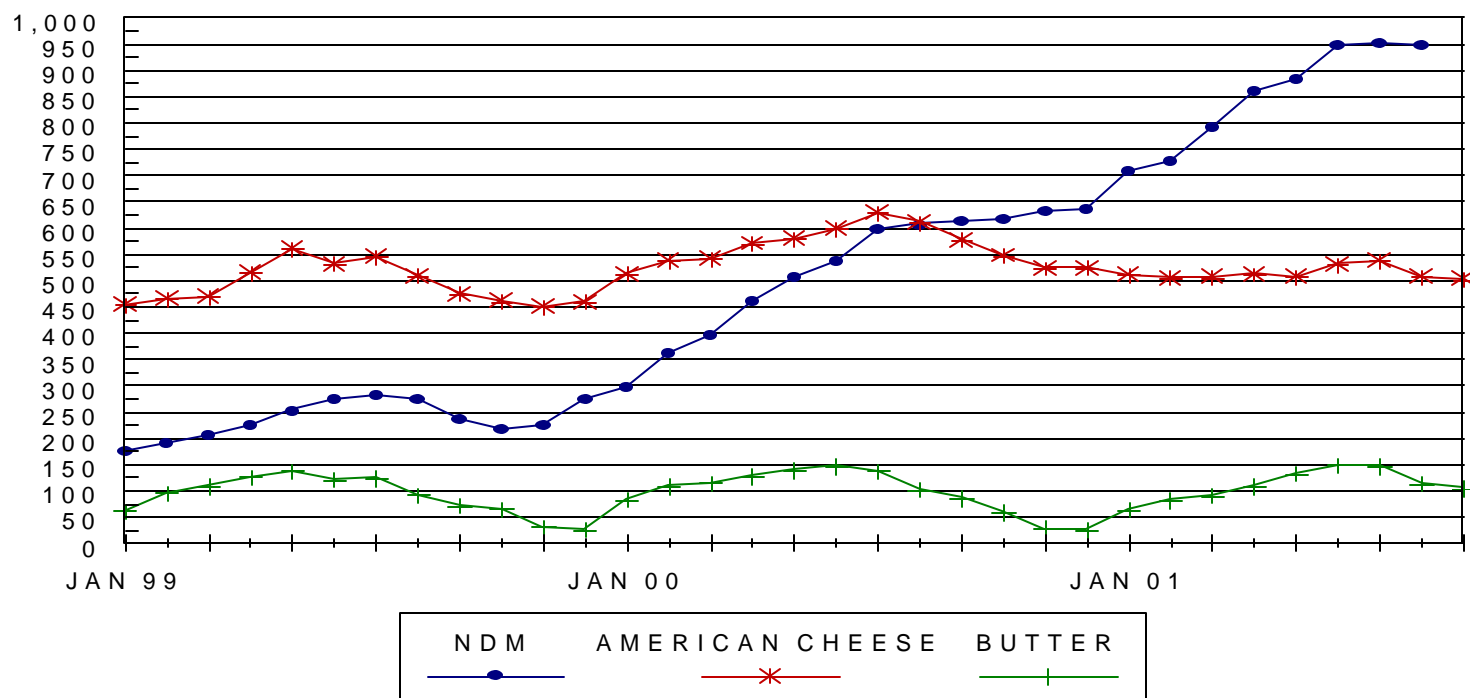
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	AUG 31, 1999	AUG 31, 2000	REVISED AUG 31, 2001	SEP 30, 1999	SEP 30, 2000	SEP 30, 2001
Butter	90,728	101,328	113,288	71,473	84,991	104,058
Cheese, Natural American	508,305	609,658	506,619	473,639	577,073	501,374
Cheese, Swiss	9,919	13,443	10,668	10,483	15,727	11,012
Cheese, Other Natural	176,473	216,797	211,469	167,148	188,146	211,927
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	258	388	1,065	214	375	514
Natural American Cheese	50	402	1,575	9	607	1,591

SEPTEMBER COLD STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
New England	25,765	20,875	22,809	---	---	---	559	900	430
Middle Atlantic	41,574	53,362	57,673	---	---	---	11,954	9,439	35,102
East North Central	227,192	284,303	215,933	---	---	---	90,894	80,349	97,909
West North Central	106,284	111,210	95,812	---	---	---	53,486	75,607	61,000
South Atlantic	631	5,342	4,832	---	---	---	1,280	679	130
East South Central	0	0	0	---	---	---	150	170	164
West South Central	259	492	2,582	---	---	---	205	598	96
Mountain	10,459	11,282	11,353	---	---	---	468	6,248	5,659
Pacific	61,475	90,207	90,380	---	---	---	8,152	14,156	11,437
TOTAL	473,639	577,073	501,374	71,473	84,991	104,058	167,148	188,146	211,927

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

COLD STORAGE 1999 TO DATE

MILLION POUNDS



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2000 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	Million Pounds						Million Pounds						Million Pounds					
January	64	82	63	82	<u>3/</u>	<u>3/</u>	510	512	508	512	2	<u>3/</u>	708	296	145	146	563	150
February	81	108	81	107	<u>3/</u>	<u>3/</u>	505	536	503	536	2	<u>3/</u>	726	359	138	173	589	186
March	90	114	90	114	1	<u>3/</u>	505	541	503	541	2	<u>3/</u>	791	395	123	168	668	227
April	108	127	107	127	1	<u>3/</u>	511	570	509	570	2	<u>3/</u>	858	458	127	197	731	260
May	132	138	132	138	1	<u>3/</u>	506	578	504	578	2	<u>3/</u>	882	506	134	197	747	309
June	148	146	147	145	1	<u>3/</u>	530	597	528	597	2	<u>3/</u>	945	537	166	171	779	366
July	145	137	145	137	1	<u>3/</u>	536	628	534	628	2	<u>3/</u>	950	596	147	190	803	406
August	113	101	112	101	1	<u>3/</u>	507	610	505	609	2	<u>3/</u>	947	606	127	152	821	454
September	104	85	104	85	1	<u>3/</u>	501	577	500	576	2	1		611		130		481
October		58		58		<u>3/</u>		547		546		1		614		121		493
November		27		27		<u>3/</u>		523		522		1		631		110		521
December		24		24		<u>3/</u>		523		521		1		635		119		516

NA = Not available. 1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Aug 31, 1999	Aug 31, 2000	Aug 31, 2001	Sep 30, 1999	Sep 30, 2000	Sep 30, 2001
	Thousand Pounds					
Butter	90,470	100,940	112,223	71,259	84,616	103,544
Natural American Cheese	508,255	609,256	505,044	473,630	576,466	499,783

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (10-01) and "Dairy Products," Da 2-6 (10-01), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

USDA RECOMMENDS REVISED CLASS III AND IV PRICE FORMULAS FOR ALL FEDERAL MILK ORDERS

WASHINGTON, Oct. 23, 2001 - The U.S. Department of Agriculture today issued a recommended decision to amend the current Class III and Class IV pricing formulas under Federal milk orders. Today's recommendation follows a tentative final decision and interim amendment responding to a Congressional mandate to reconsider the pricing formulas adopted in the final rule for the consolidation and reform of Federal milk orders.

Portions of the interim amendments were enjoined by the U.S. District Court for the District of Columbia on Jan. 31, 2001. The earlier actions and this decision are based on testimony and data presented at a public hearing held May 8-12, 2000, to consider proposals submitted by the industry to change the formulas.

The earlier tentative final decision was issued because Congressional deadlines of Dec. 1, 2000, for publication of a final decision and Jan. 1, 2001, for its implementation did not allow enough time to issue a recommended decision and receive and consider comments before issuance of a final decision. The District Court injunction of portions of the earlier amendments requires changes to be made to the tentative final decision consistent with the Court's action.

This decision would leave in place the revised manufacturing allowances for butter, cheese, and nonfat dry milk, but reverse the previous determination that there should be separate butterfat prices for milk used in Class III (cheese) and Class IV (butter and dry milk products). Additional technical modifications are made to the protein price formula. The make allowance for dry whey, one of the factors in calculating Class III value, would be increased from the \$0.140 left in place under the injunction to \$0.159 per pound. The proposed changes are expected to have little impact on returns to dairy farmers.

The recommended decision will be published in the Oct. 25 Federal Register, and interested persons have until Nov. 26 to file comments in response to the recommended decision and the amendments that have been in place under the injunction.

For additional information, please contact your local Federal Milk Market Administrator.

FEDERAL MILK ORDER ADVANCE PRICES, NOVEMBER

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for November 2001 is \$15.76 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$9.60 and the advanced butterfat pricing factor of \$1.8556. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$7.26. Thus, the Class II skim milk price for November is \$7.96 per cwt., and the Class II nonfat solids price is \$0.8844. **Product Price Averages** - The two-week product price averages for November are; butter \$1.6366, nonfat dry milk \$0.9468, cheese \$1.6777, and dry whey \$0.2841.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION 1/ 2/				
Federal Milk Order Marketing Area 3/	Order Number	November 2001		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) 4/	001	19.01	12.85	1.8881
Appalachian (Charlotte) 5/	005	18.86	12.70	1.8866
Southeast (Atlanta) 6/	007	18.86	12.70	1.8866
Florida (Tampa) 7/	006	19.76	13.60	1.8956
Mideast (Cleveland) 8/	033	17.76	11.60	1.8756
Upper Midwest (Chicago) 9/	030	17.56	11.40	1.8736
Central (Kansas City) 10/	032	17.76	11.60	1.8756
Southwest (Dallas) 11/	126	18.76	12.60	1.8856
Arizona-Las Vegas (Phoenix) 12/	131	18.11	11.95	1.8791
Western (Salt Lake City) 13/	135	17.66	11.50	1.8746
Pacific Northwest (Seattle) 14/	124	17.66	11.50	1.8746
All-Market Average		18.34	12.18	1.8814

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus 0.05; and Minneapolis, minus, \$0.10. 10/ Class I prices at other cities are: Des Moines, minus 0.20; Omaha, minus 0.15; Oklahoma City, plus 0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I price at Boise is minus \$0.30. 14/ Class I prices at other cities are: Portland, same; and Spokane, same.

THE DAIRY SITUATION AND OUTLOOK

Dairy Prices Plummet - Wholesale butter and cheese prices have collapsed since mid-September in response to weakening demand, recovering milk output, and swollen pipeline holdings. Dairy markets probably will be quite unsettled during the rest of the year. Demand conditions may not settle down in 2002, as consumer responses to changing economic conditions are highly uncertain.

Much of the late summer strength in wholesale dairy product prices resulted from buyers building pipeline holdings in response to strong demand and general uncertainty about late 2001 markets. A relatively early seasonal price peak was expected once these buyers became reasonably confident that autumn markets would not be as tight as earlier in the year. Restaurant buyers reportedly responded dramatically to the shocks of September by cutting purchases to a minimum. This was enough to send prices sharply lower, and the bottom may not yet have been reached. However, restaurant use may not have been hurt that dramatically (except for a few segments), and resumption of buying may trigger modest price recovery before the end of the year, at least for cheese.

Dairy Demand Changes Ahead for 2002 - Commercial use of both milkfat and skim solids set records every year during 1998-2001, not in itself unusual. However, the strength of recent demand growth was extraordinary. Farm milk prices averaged the highest ever in 1998, were very close to that record in 2001, and were the fourth highest ever in 1999. In the face of these generally high prices, commercial use of milkfat grew about 2.2 percent a year during the last four years, a rate much faster than population growth or in most earlier years. Sales of skim solids did not rise as rapidly but still managed very respectable growth of about 1.8 percent per year.

Cheese, butter, and fluid cream were the leading lights among dairy products. These products are heavily used by restaurants, and consumer expenditures for eating away from home rose briskly during this period. Also, consumers seemed in the mood to treat themselves whether at home or restaurants, a situation that undoubtedly boosted sales of these products. Meanwhile, sales of fluid milk, ice cream, and other perishable products showed little growth. Most of these products are dominated by use at home, and their demand may have been hurt by strong restaurant sales.

Demand in 2002 would have been particularly uncertain even without the terrorism shocks. Consumer reaction to a weakening economy, following the exuberance of the last couple years, is particularly difficult to gauge because the economic expansion was unprecedented in terms of both strength and length. Some of the food spending habits developed during recent years are likely to persist, at least through 2002. In particular, restaurant spending probably will stay heavier than during earlier periods of economic weakness.

Spending at eating places is unlikely to grow as much as it has in recent years. However, most of the adjustment probably will be in the average cost of a meal eaten away from home rather than in the number of such meals. To the extent that people do eat more at-home meals, they likely will buy prepared foods rather than basic foodstuffs. As consumers become more sensitive to menu prices, restaurants likely will respond with tighter controls on the amounts of ingredients used in dishes. They also may halt the growth in portion size or offer smaller alternatives. However, large portions will remain a relatively inexpensive way of generating perceptions of value.

Cheese demand in 2002 probably will be only modestly affected by adjustments in the restaurant sector. Cheese is used heavily by all segments of the industry so shifts among eating places do not necessarily have much effect. Gradual erosion in total restaurant use is likely. Weakness in retail sales also is likely to develop only slowly. Consumer belt tightening probably will consist of eliminating some at-home "treats" that they had enjoyed but also replacing some away-from-home treats with less costly at-home treats.

Demand for butter and fluid cream may be affected more than cheese demand. Table use of these products is spread across a diverse group of restaurants. But kitchen use is much heavier in upper tier establishments; the types that may be affected most. In addition, retail sales may be trimmed by a more cautious consumer attitude.

Ice cream demand may actually improve because of ice cream's unusual image as an inexpensive luxury. Similarly, fluid milk demand probably would benefit from any shift to eating more meals at home. However, these strengths are unlikely to offset weakening in demand for other products. Dairy demand is expected to grow somewhat next year, but the increase probably will be smaller than in recent years.

SOURCE: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-88, October 24, 2001, Economic Research Service, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 22 - 26, 2001			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 10/19/01	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	396,000	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	396,000	-0-	-0-
NONFAT DRY MILK							
Nonfortified	208,114	119,048	89,066	4,680,085	30,609,471	605,122,000	-0-
Fortified	-0-	-0-	-0-	-0-	5,335,936	38,227,000	-0-
TOTAL	208,114	119,048	89,066	4,680,085	35,945,407	643,349,000	-0-

Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 22 - 26, 2001 =	0.0	1.0	COMPARABLE WEEK IN 2000 =	4.8	101.7
CUMULATIVE SINCE OCTOBER 1, 2001 =	1.0	54.5	CUMULATIVE SAME PERIOD LAST YEAR =	11.6	422.3
CUMULATIVE JANUARY 1 - OCTOBER 26, 2001 =	74.5	3,324.7\$	COMPARABLE CALENDAR YEAR 2000 =	172.2	5,601.4

\$Last week's total should have been 3,323.7.

* Factors used for Fat Solids Basis Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF OCTOBER 22 - 26, 2001 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	89,066	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	-0-	396,000	-0-	955,886	-0-	33.4
WEST	-0-	-0-	-0-	-0-	4,680,085	34,989,521	100.0	66.6
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	396,000	4,680,085	35,945,407	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 10/06/01 & Comparable Week 2000

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2001-Dairy	0.2	0.8	5.9	5.0	18.2	2.9	0.5	0.9	12.3	2.6	49.3	44.1
2000-Dairy	0.2	1.0	6.4	4.4	22.0	2.2	0.9	0.8	11.7	2.6	52.1	46.1
2001-All cows	0.2	0.9	8.1	14.8	27.7	17.7	15.1	4.8	15.5	6.9	111.7	47.6
2000-All cows	0.2	1.2	8.7	13.4	29.5	17.5	13.6	4.6	14.7	6.1	109.5	48.7

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37

FEDERAL MILK ORDER CLASS PRICES FOR 2001 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.99	11.94	12.65	13.44	14.21	14.99	15.34	15.40	15.56	15.93	15.76	
II	12.82	13.43	14.17	15.10	15.72	16.05	15.96	15.98	16.24			
III	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90			
IV	12.13	12.70	13.46	14.41	15.04	15.33	14.81	15.06	15.59			

1/ Specific order differentials to be added to this base price are located at: www.ams.usda.gov/dairy/mlb/class_prod_milk_comp_pr.htm